

NYAB

Company report

5/6/2024



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✓ Inderes corporate customer

This report is a summary translation of the report “Odotamme reipasta kasvua vertailukauteen nähden” published on 5/6/2024 at 7:45 pm EEST

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res.**

Strong year-on-year growth expected

We reiterate our Reduce recommendation and EUR 0.45 target price for NYAB. The company will publish its Q1 report on Wednesday. We expect the company's revenue to have risen strongly in the seasonally slowest quarter, supported by an increased order book and projects postponed to this year. In contrast, we expect the operating result to have fallen into the red, reflecting the seasonality of the business. In the update, we have slightly raised our forecasts for Q1 and also for the coming years, but the absolute changes are minor. Given the elevated valuation picture for the current year, we remain cautious on the stock.

We expect a significant increase in revenue year-on-year

In Q1, we expect the company's revenue to have increased by 35% year-on-year and to have reached 52.9 MEUR (previously 46.6 MEUR). We estimate that the increase in the order book at the end of the year (+23% compared to 2022) and, to some extent, the shift of projects from Q4 to this year supported the revenue development. In contrast, we expect the reported EBIT to have stabilized at -1.5 MEUR (previously -1.7 MEUR) in what is seasonally the clearly weakest quarter for the company. On the other hand, on the bottom lines of the income statement, we expect losses from associated companies as well as financial expenses to have been around the Q4 level, in line with the ongoing re-domiciliation process. Reflecting the loss-making result, we expect taxes to have been slightly positive. Reflecting again this overall picture, we expect the reported net profit to have amounted to -2.7 MEUR (previously -2.9 MEUR).

We also raised our estimates for the next few years

For the current year, NYAB has guided for an increase in both revenue (2023: 280 MEUR) and EBIT (2023: 15.2 MEUR) compared to last year. Although we do not expect the company to make any changes to its guidance in connection with the Q1 report, we will be interested to hear comments on the demand situation and the development of the order book. However, we believe that the demand outlook has continued to gradually pick up, especially in the larger geographic market of Sweden. In line with the recently improved outlook, we have also slightly increased our growth and earnings forecasts for the coming years, but the changes in absolute terms are minor (adjusted EBIT forecasts increased by about 2%). Nevertheless, we will only review our forecasts in more detail after the Q1 results.

Valuation is high for the current year, but will level off in the coming years if earnings growth materializes

We forecast an adjusted 2024 P/E ratio of 21x and a corresponding EV/EBIT ratio of 14x. As a result, looking at this year, we believe there is room for downward revisions to earnings-based multiples relative to our valuation range (P/E: 13-17x, EV/EBIT 12-16x). In contrast, if earnings growth materializes as we forecast, the multiples as a whole will fall to neutral levels next year (2025e EV/EBIT 12x, P/E 15x). This is also reflected in our estimated medium-term expected total returns, which are positive on average but still slightly below our required rate of return. The challenge of short-term valuation is also indicated by our sum-of-the-parts model, which now stands at EUR 0.42-0.53 per share (previously EUR 0.41-0.51), reflecting the increase in Skarta Energy's peer valuation. At the current price level, we believe that the stock is quite correctly priced, which means that the risk-adjusted expected return over the next 12 months remains insufficient.

Recommendation

Reduce
(previous Reduce)

EUR 0.45
(previous EUR 0,45)

Share price:
0.48



Key figures

	2023	2024e	2025e	2026e
Revenue	280.4	334.7	378.2	412.2
growth-%	11%	19%	13%	9%
EBIT adj.	17.8	22.0	26.3	30.2
EBIT-% adj.	6.4 %	6.6 %	7.0 %	7.3 %
Net Income	9.0	15.4	21.5	24.1
EPS (adj.)	0.02	0.02	0.03	0.03
P/E (adj.)	29.5	20.6	15.4	13.9
P/B	2.1	1.8	1.7	1.5
Dividend yield-%	2.5 %	2.3 %	3.1 %	3.6 %
EV/EBIT (adj.)	20.7	14.5	11.8	9.9
EV/EBITDA	17.2	12.5	10.4	8.8
EV/S	1.3	1.0	0.8	0.7

Source: Inderes

Guidance

(Unchanged)

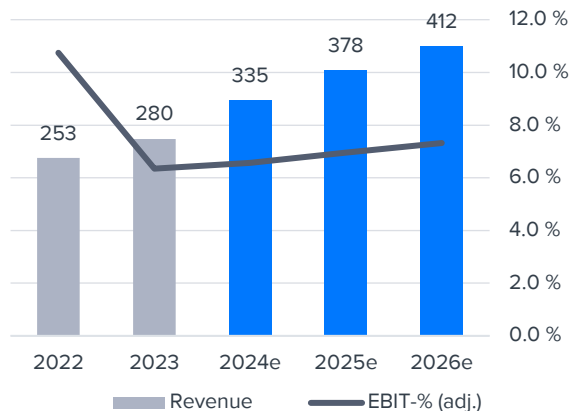
In 2024, NYAB expects its revenue (2023: 280 MEUR) and EBIT (2023: 15.2 MEUR) to grow from 2023.

Share price



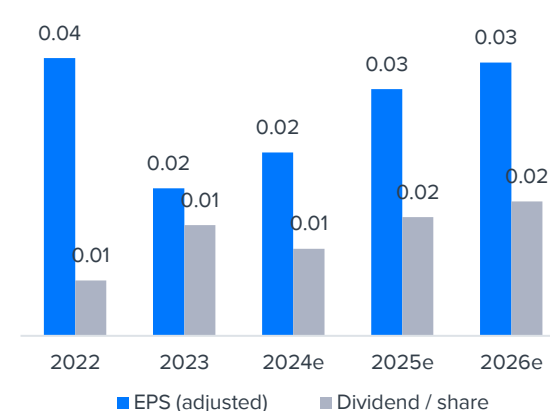
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Continued growth and higher profitability than competitors
- Strong market position in target markets, especially in the Norrbotten region
- The company is well positioned in the green transition and urbanization it offers, with promising growth prospects well into the future
- Focus on less cyclical and counter-cyclical construction sectors
- Sustainable improvement in the profitability of Finnish businesses
- Potential of the renewable energy project development joint venture, Skarta Energy (including sale of ownership)
- Acquisitions that create value



Risk factors

- Fluctuations in demand in the construction market and general economic developments
- Pricing and project risks
- Tighter competition
- Personnel risks
- EUR/SEK currency pair (+/-) may swing reported figures
- Failure in acquisitions

Valuation	2024e	2025e	2026e
Share price	0.48	0.48	0.48
Number of shares, millions	706.7	706.7	706.7
Market cap	338	338	338
EV	319	310	300
P/E (adj.)	20.6	15.4	13.9
P/E	21.9	15.7	14.0
P/B	1.8	1.7	1.5
P/S	1.0	0.9	0.8
EV/Sales	1.0	0.8	0.7
EV/EBITDA	12.5	10.4	8.8
EV/EBIT (adj.)	14.5	11.8	9.9
Payout ratio (%)	50.4 %	49.4 %	49.9 %
Dividend yield-%	2.3 %	3.1 %	3.6 %

Source: Inderes

Q1 expectations

Estimates MEUR / EUR	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Inderes
Revenue	39.2		52.9				335
EBITA	-1.5		-1.0				22.0
EBIT	-2.1		-1.5				21.1
PTP	-2.6		-3.1				17.2
Net profit	-2.8		-2.7				0.0
Revenue growth-%			35.0 %				19.4 %
EBIT-% (reported)	-5.2 %		-2.8 %				6.3 %

Source: Inderes

A slight increase in our growth forecasts

Estimate changes 2024e-2026e

- We believe that the demand outlook for the company has continued to gradually pick up, especially in the larger geographic market of Sweden.
- In light of this and the Q4 revenue carried forward into this year, we have raised our Q1 growth forecasts while keeping our forecasts for the rest of the year unchanged at this time. With higher volumes, our Q1 earnings forecasts also rose slightly. It should be noted, however, that Q1 is seasonally the company's quietest quarter and as a result the absolute changes in the annual forecast were small.
- Given the gradually improving outlook described above, we have also slightly raised our forecasts for the coming years, but overall the forecast changes were small and we will look at them in more detail in the context of the Q1 results.

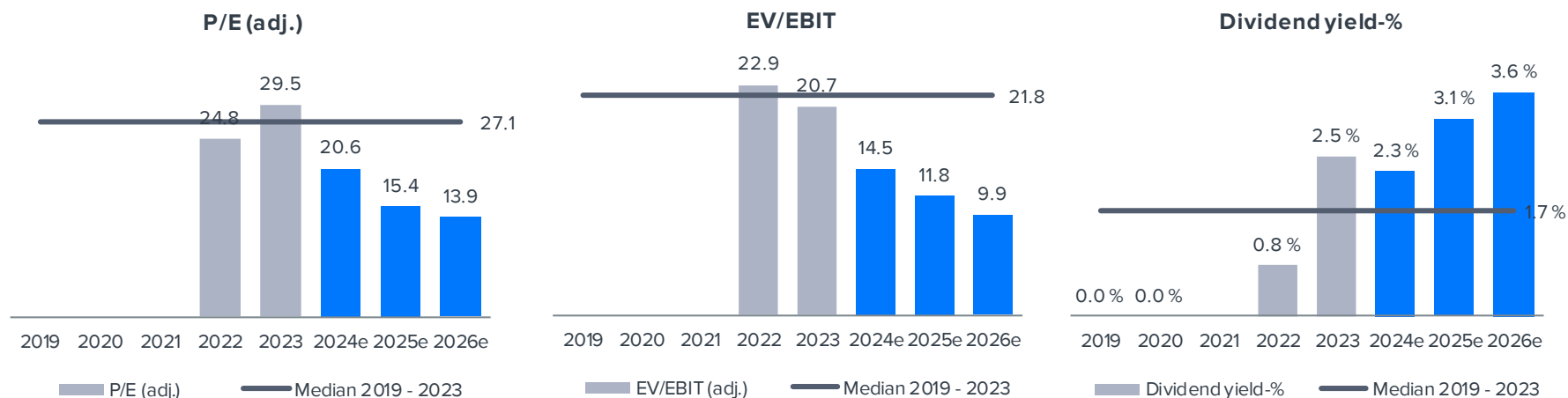
Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	328	335	2%	371	378	2%	405	412	2%
EBITDA	25.4	25.6	1%	29.3	29.8	2%	33.4	34.0	2%
EBIT (exc. NRIs)	21.8	22.0	1%	25.8	26.3	2%	29.6	30.2	2%
EBIT	20.8	21.1	1%	25.2	25.8	2%	29.3	29.9	2%
PTP	16.9	17.2	1%	23.4	23.9	2%	27.8	28.4	2%
EPS (excl. NRIs)	0.02	0.02	1%	0.03	0.03	2%	0.03	0.03	2%
DPS	0.011	0.011	0%	0.015	0.015	0%	0.017	0.017	0%

Source: Inderes

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price				0.87	0.55	0.48	0.48	0.48	0.48
Number of shares, millions				706.7	706.7	706.7	706.7	706.7	706.7
Market cap				615	389	338	338	338	338
EV				622	369	319	310	300	290
P/E (adj.)				24.8	29.5	20.6	15.4	13.9	13.3
P/E				26.4	43.0	21.9	15.7	14.0	13.4
P/B				3.4	2.1	1.8	1.7	1.5	1.5
P/S				2.4	1.4	1.0	0.9	0.8	0.8
EV/Sales				2.5	1.3	1.0	0.8	0.7	0.7
EV/EBITDA				20.5	17.2	12.5	10.4	8.8	8.0
EV/EBIT (adj.)				22.9	20.7	14.5	11.8	9.9	8.9
Payout ratio (%)				21.2 %	109.3 %	50.4 %	49.4 %	49.9 %	50.5 %
Dividend yield-%				0.8 %	2.5 %	2.3 %	3.1 %	3.6 %	3.8 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Peab	1745	3214	18.0	17.2	10.6	10.1	0.7	0.7	14.3	13.4	3.3	4.1	1.3
NCC	1129	1478	9.8	10.0	5.8	5.9	0.3	0.3	9.2	9.3	5.8	5.9	1.6
Skanska	7091	6633	11.0	10.0	8.7	7.6	0.5	0.5	13.6	12.2	3.8	4.1	1.4
YIT	463	1432	43.6	22.7	24.8	16.7	0.7	0.7		62.3			0.5
AF Gruppen	1335	1498	12.2	10.8	8.5	7.8	0.6	0.5	13.7	12.1	6.1	6.1	4.0
NRC Group	79	144	6.8	7.1	3.7	3.8	0.2	0.2	6.4	6.6	8.1	8.9	0.3
Veidekke	1335	1194	9.3	8.7	5.5	5.2	0.3	0.3	14.0	13.1	7.0	7.4	4.9
MT Hoejgaard Holding	217	167	3.0	3.3	2.2	2.3	0.1	0.2	5.3	5.8			1.4
Kreate	68	89	9.9	8.1	6.2	5.4	0.3	0.3	13.0	9.7	6.4	6.8	1.6
Sitowise	102	185	13.7	10.6	7.3	6.4	0.9	0.9	14.6	9.8	2.3	3.5	0.8
Sweco	3714	4190	17.1	15.2	12.5	11.4	1.6	1.5	20.7	18.0	2.5	2.9	3.8
AFRY	1711	2289	13.1	11.5	8.9	8.1	1.0	0.9	14.6	12.2	3.5	4.0	1.5
Enersense	49	88	12.6	8.5	4.8	4.3	0.2	0.2		26.2	1.7	3.4	1.1
Eltel	92	219		8.1	4.1	3.5	0.3	0.3		11.7			0.5
Dovre Group	36	40	5.0	5.0	5.7	4.5	0.2	0.2	8.5	4.3	2.9	2.9	0.9
Netel	63	127	7.3	6.1	5.3	4.6	0.4	0.4	7.0	5.2	3.8	5.3	0.6
NYAB (Inderes)	338	319	14.5	11.8	12.5	10.4	1.0	0.8	20.6	15.4	2.3	3.1	1.8
Average			12.8	10.2	7.8	6.7	0.5	0.5	11.9	14.5	4.4	5.0	1.6
Median			11.0	9.3	6.0	5.7	0.4	0.4	13.6	11.9	3.8	4.1	1.3
Diff-% to median			32%	26%	108%	83%	161%	134%	52%	29%	-39%	-24%	33%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	253	39.2	65.3	88.1	87.8	280	52.9	77.7	102	102	335	378	412	441
Group	253	39.2	65.3	88.1	87.8	280	52.9	77.7	102	102	335	378	412	441
EBITDA	30.4	-0.6	5.4	8.0	8.6	21.4	-0.1	4.2	10.9	10.5	25.6	29.8	34.0	36.3
Depreciation	-4.6	-1.4	-1.4	-1.4	-2.0	-6.2	-1.4	-1.0	-1.0	-1.0	-4.5	-4.1	-4.1	-4.1
EBIT (excl. NRI)	27.2	-1.5	4.6	7.1	7.6	17.8	-1.0	3.3	10.0	9.6	22.0	26.3	30.2	32.5
EBIT	25.7	-2.1	4.0	6.6	6.6	15.2	-1.5	3.2	9.9	9.5	21.1	25.8	29.9	32.2
Group	25.7	-2.1	4.0	6.6	6.6	15.2	-1.5	3.2	9.9	9.5	21.1	25.8	29.9	32.2
Share of profits in assoc. compan.	0.0	-0.2	-0.4	-0.4	-0.7	-1.8	-0.7	-0.5	-0.3	-0.2	-1.5	-0.6	-0.3	0.4
Net financial items	-0.4	-0.3	-0.4	-0.9	-1.1	-2.7	-1.0	-0.7	-0.4	-0.3	-2.4	-1.3	-1.2	-1.1
PTP	25.3	-2.6	3.3	5.2	4.8	10.7	-3.1	2.1	9.2	9.0	17.2	23.9	28.4	31.5
Taxes	-2.0	-0.3	0.5	-0.6	-1.2	-1.6	0.5	-0.2	-0.9	-1.1	-1.7	-2.4	-4.3	-6.4
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	23.3	-2.8	3.7	4.6	3.6	9.0	-2.7	1.9	8.3	7.9	15.4	21.5	24.1	25.2
EPS (adj.)	0.04	0.00	0.01	0.01	0.01	0.02	0.00	0.00	0.01	0.01	0.02	0.03	0.03	0.04
EPS (rep.)	0.03	0.00	0.01	0.01	0.01	0.01	0.00	0.00	0.01	0.01	0.02	0.03	0.03	0.04
Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%						10.7 %	35.0 %	19.0 %	16.0 %	16.0 %	19.4 %	13.0 %	9.0 %	7.0 %
Adjusted EBIT growth-%	74.3 %	79.1 %	72.1 %	25.4 %	-61.2 %	-34.5 %	-37.3 %	-26.7 %	40.4 %	25.4 %	23.5 %	19.6 %	14.7 %	7.6 %
EBITDA-%	12.0 %	-1.7 %	8.3 %	9.1 %	9.8 %	7.6 %	-0.1 %	5.5 %	10.7 %	10.3 %	7.6 %	7.9 %	8.2 %	8.2 %
Adjusted EBIT-%	10.7 %	-3.9 %	7.0 %	8.1 %	8.7 %	6.4 %	-1.8 %	4.3 %	9.8 %	9.4 %	6.6 %	7.0 %	7.3 %	7.4 %
Net earnings-%	9.2 %	-7.2 %	5.7 %	5.2 %	4.1 %	3.2 %	-5.1 %	2.4 %	8.1 %	7.8 %	4.6 %	5.7 %	5.8 %	5.7 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	160	158	158	158	159
Goodwill	121	121	121	121	121
Intangible assets	3.8	1.6	0.8	0.5	0.4
Tangible assets	17.7	16.3	16.9	17.5	18.0
Associated companies	11.1	16.7	16.7	16.7	16.7
Other investments	5.6	2.5	2.5	2.5	2.5
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.5	0.0	0.0	0.0	0.0
Current assets	99.1	108	122	145	165
Inventories	2.3	1.4	2.3	2.6	2.9
Other current assets	0.0	0.0	0.0	0.0	0.0
Receivables	83.0	83.8	100	113	124
Cash and equivalents	13.8	22.6	19.5	28.7	38.5
Balance sheet total	259	266	280	303	324

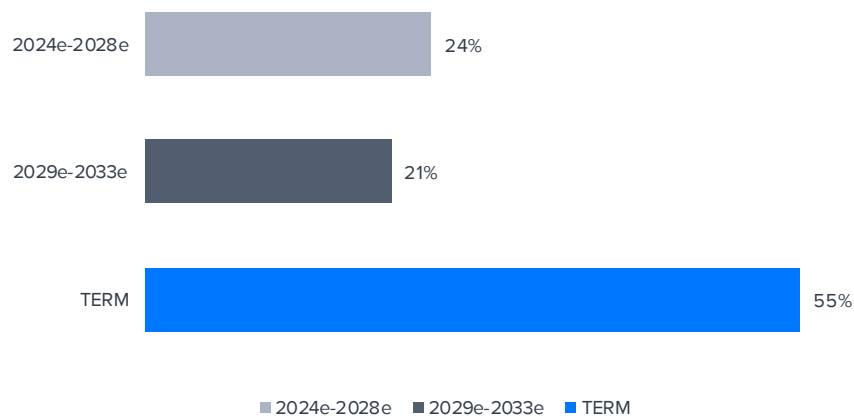
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	180	185	191	205	218
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	40.3	50.1	55.6	69.3	82.8
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	140	135	135	135	135
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	17.2	15.7	14.2	14.2	14.2
Deferred tax liabilities	4.4	3.9	3.9	3.9	3.9
Provisions	0.1	0.2	0.2	0.2	0.2
Interest bearing debt	12.6	11.5	10.0	10.0	10.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.1	0.1	0.1	0.1	0.1
Current liabilities	61.5	65.0	75.3	84.4	91.6
Interest bearing debt	8.2	5.5	5.0	5.0	5.0
Payables	53.3	59.5	70.3	79.4	86.6
Other current liabilities	0.0	0.0	0.0	0.0	0.0
Balance sheet total	259	266	280	303	324

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	10.7 %	19.4 %	13.0 %	9.0 %	7.0 %	6.0 %	5.0 %	4.0 %	3.0 %	3.0 %	2.0 %	2.0 %
EBIT-%	5.4 %	6.3 %	6.8 %	7.2 %	7.3 %	7.1 %	6.9 %	6.7 %	6.5 %	6.5 %	6.5 %	6.5 %
EBIT (operating profit)	15.2	21.1	25.8	29.9	32.2	33.2	33.9	34.1	34.2	35.2	35.9	
+ Depreciation	6.2	4.5	4.1	4.1	4.1	4.2	4.3	4.4	4.5	4.6	4.7	
- Paid taxes	-1.6	-1.7	-2.4	-4.3	-6.4	-6.6	-6.7	-6.7	-6.8	-7.0	-7.1	
- Tax, financial expenses	-0.4	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	6.4	-6.9	-4.2	-3.3	-2.8	-2.6	-2.3	-1.9	-1.5	-1.5	-1.1	
Operating cash flow	25.8	16.8	23.0	26.2	27.0	28.1	29.0	29.7	30.2	31.1	32.2	
+ Change in other long-term liabilities	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	1	-4.3	-4.4	-4.5	-4.6	-4.7	-4.8	-4.9	-5.0	-5.0	-4.8	
Free operating cash flow	27	12.5	18.6	21.7	22.4	23.4	24.2	24.8	25.2	26.1	27.4	
+/- Other	5.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	32.2	12.5	18.6	21.7	22.4	23.4	24.2	24.8	25.2	26.1	27.4	403
Discounted FCFF		11.8	16.2	17.3	16.4	15.7	14.9	14.0	13.1	12.5	12.0	176
Sum of FCFF present value		320	308	292	275	259	243	228	214	201	188	176
Enterprise value DCF		320										
- Interest bearing debt		-17.0										
+ Cash and cash equivalents		22.6										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		340										
Equity value DCF per share		0.48										

Cash flow distribution

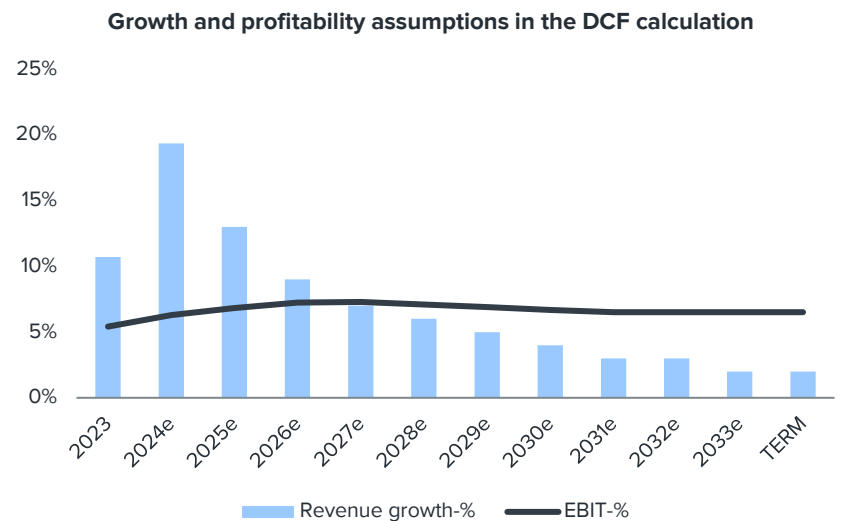
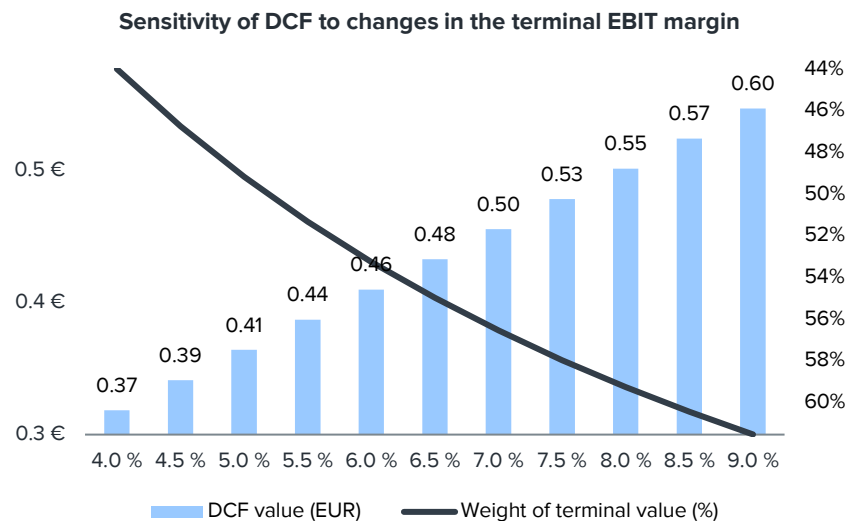
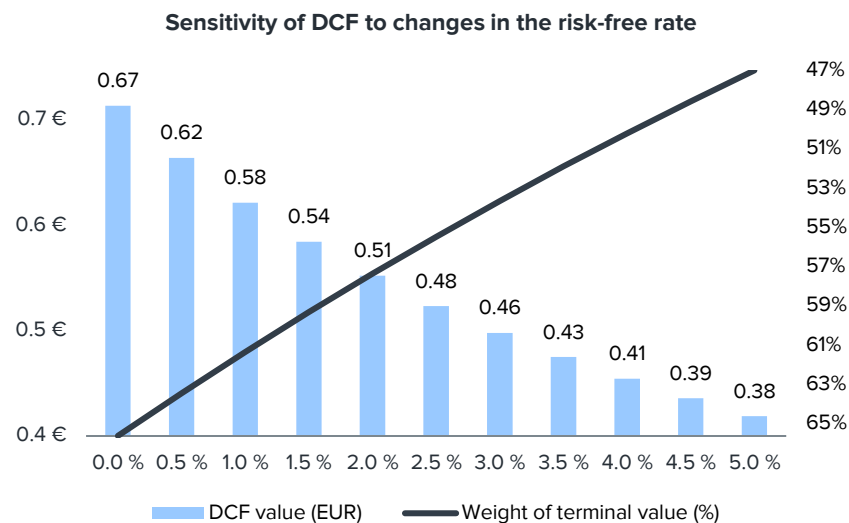
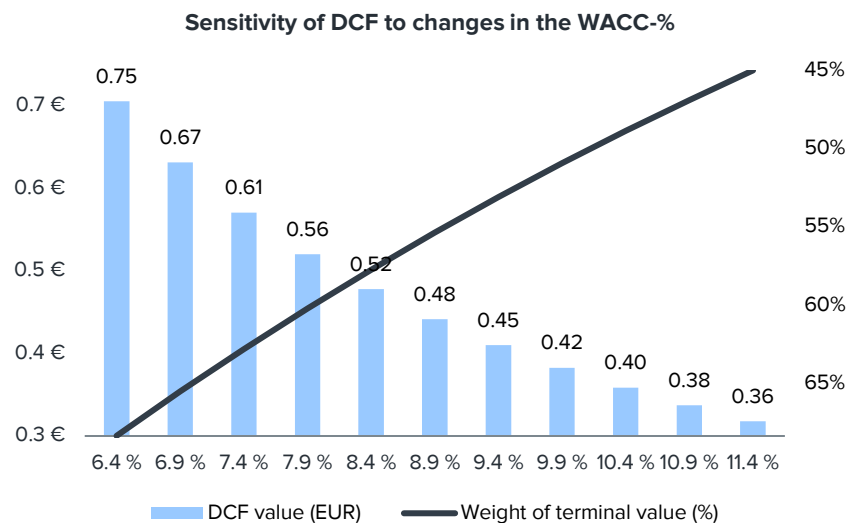


WACC

Tax-% (WACC)	20.5 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	5.0 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	1.50%
Risk free interest rate	2.5 %
Cost of equity	10.2 %
Weighted average cost of capital (WACC)	8.9 %

Source: Inderes

DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2022	2023	2024e	2025e	Per share data	2022	2023	2024e	2025e
Revenue	253.3	280.4	334.7	378.2	EPS (reported)	0.03	0.01	0.02	0.03
EBITDA	30.4	21.4	25.6	29.8	EPS (adj.)	0.04	0.02	0.02	0.03
EBIT	25.7	15.2	21.1	25.8	OCF / share	0.02	0.04	0.02	0.03
PTP	25.3	10.7	17.2	23.9	FCF / share	0.08	0.05	0.02	0.03
Net Income	23.3	9.0	15.4	21.5	Book value / share	0.26	0.26	0.27	0.29
Extraordinary items	-1.5	-2.6	-0.9	-0.5	Dividend / share	0.01	0.01	0.01	0.02
Balance sheet	2022	2023	2024e	2025e	Growth and profitability	2022	2023	2024e	2025e
Balance sheet total	259.1	266.1	280.4	303.2	Revenue growth-%	0%	11%	19%	13%
Equity capital	180.4	185.3	190.9	204.6	EBITDA growth-%		-30%	20%	17%
Goodwill	121.2	121.2	121.2	121.2	EBIT (adj.) growth-%		-35%	23%	20%
Net debt	7.0	-5.6	-4.5	-13.7	EPS (adj.) growth-%		-47%	24%	35%
Cash flow	2022	2023	2024e	2025e	EBITDA-%	12.0 %	7.6 %	7.6 %	7.9 %
EBITDA	30.4	21.4	25.6	29.8	EBIT (adj.)-%	10.7 %	6.4 %	6.6 %	7.0 %
Change in working capital	-17.2	6.4	-6.9	-4.2	EBIT-%	10.2 %	5.4 %	6.3 %	6.8 %
Operating cash flow	12.9	25.8	16.8	23.0	ROE-%	22.6 %	4.9 %	8.2 %	10.9 %
CAPEX	-144.7	0.6	-4.3	-4.4	ROI-%	22.2 %	6.6 %	9.6 %	11.9 %
Free cash flow	58.3	32.2	12.5	18.6	Equity ratio	69.6 %	73.0 %	68.1 %	67.5 %
Valuation multiples	2022	2023	2024e	2025e	Gearing	3.9 %	-3.0 %	-2.4 %	-6.7 %
EV/S	2.5	1.3	1.0	0.8					
EV/EBITDA (adj.)	20.5	17.2	12.5	10.4					
EV/EBIT (adj.)	22.9	20.7	14.5	11.8					
P/E (adj.)	24.8	29.5	20.6	15.4					
P/B	3.4	2.1	1.8	1.7					
Dividend-%	0.8 %	2.5 %	2.3 %	3.1 %					

Source: Inderes

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Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
4/25/2023	Reduce	0.70 €	0.71 €
5/15/2023	Reduce	0.70 €	0.67 €
7/28/2023	Reduce	0.70 €	0.73 €
8/11/2023	Reduce	0.55 €	0.62 €
8/28/2023	Sell	0.55 €	0.63 €
10/11/2023	Reduce	0.55 €	0.51 €
11/13/2023	Reduce	0.50 €	0.49 €
12/27/2023	Sell	0.45 €	0.56 €
2/26/2024	Reduce	0.45 €	0.49 €
2/29/2024	Reduce	0.45 €	0.50 €
5/6/2024	Reduce	0.45 €	0.48 €



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